

WATER/ICRJ/FLC/KKL/MXK/RHG

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
AUDIT AND COMPLIANCE BRANCH**

**RESOLUTION W-4490
August 19, 2004**

R E S O L U T I O N

RESOLUTION W-4490. CENTRAL CAMP WATER COMPANY, INC. (CCWC). REQUEST TO ADD A SURCHARGE TO REPAY A SHORT-TERM LOAN IN THE AMOUNT OF \$12,000, THE PROCEEDS OF WHICH WILL BE USED TO COMPLETE AND PUT INTO OPERATION THE ADDITIONAL WELL AUTHORIZED BY RESOLUTION (RES.) W-4118 DATED SEPTEMBER 4, 2003.

By Advice Letter (AL) No. 15 filed on July 14, 2004.

SUMMARY

This Resolution authorizes CCWC to place in effect a surcharge on existing water rates to repay the principal and interest of a short-term loan in the amount of \$12,000. The proceeds of the loan will be used to complete and bring into operation the additional well (Well No. 3) authorized by Res. W-4118.

A notice of the proposed rate surcharge was mailed to each customer on July 12, 2004. No protests were received.

Notice of AL No. 15 was made by publication in the Commission's Daily Calendar of July 19, 2004.

BACKGROUND

CCWC is a Class D water utility subject to the jurisdiction of this Commission. CCWC provides water to 78 connections in a summer home area located in eastern Madera County. The elevation is approximately

5,500 feet and water is only provided during six months of the year (May through October).

CCWC was originally built as the railroad logging headquarters for Sugar Pine Lumber Company during the early 1920's and all water was obtained from Sand Creek that runs through the property.

During the 1980's, the water company was notified by the Department of Health Services (DHS) that surface water should be treated or a new source of water be developed. CCWC obtained a Safe Drinking Water Bond Act loan to drill wells, put in a storage tank and connect to the existing distribution system. Customers were first provided with well water in 1995. CCWC has two wells that provide adequate water for most of the season, but sometimes cannot meet peak demands, such as on holiday weekends.

Well No. 1 is located near the south central border of the Central Camp property. Current production is reported at about 2 gpm. Well No. 2 is located in the west-central portion of the Central Camp property. Current production is reported at about 7 gpm to 30 gpm, depending on the time of the season and pumping duration.

On December 12, 2002, CCWC was issued a Notice of Violation by the Madera County Environmental Health Department (Health Department). CCWC was directed to submit a plan to the Health Department to improve the water system so that it will be able to provide a reliable and consistent water supply that meets all water quality standards.

CCWC's initial plan was to build a treatment plant for the creek water that supplied CCWC for over 70 years. However, CCWC cannot secure funding for the project (estimated at over \$70,000) and the annual operating cost is extremely high. CCWC therefore decided to drill a new well to meet water requirements instead of building a costly treatment plant.

On July 29, 2003, CCWC filed Advice Letter No. 13 requesting authority to impose a surcharge on existing rates to repay the principal and interest of a short-term loan in the amount of \$24,000. CCWC requested that the

proceeds of the loan would be used to pay for the costs of drilling an additional well to provide adequate water during peak periods. Pursuant to its Year 2003 Annual Report, CCWC reported that it generated total operating revenues of \$23,336 and net income of \$971. The company's balance sheet is summarized below:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$ 49,397
Other Investments	2,089
Current Assets	30,265
Other Current Assets	<u>24,657</u>
Total Assets	<u>\$106,408</u>
<u>Liabilities & Equity</u>	
Capital and Retained Earnings	\$ 8,231
Long-Term Debt	62,896
Current and Accrued Liabilities	<u>35,281</u>
Total Liabilities & Equity	<u>\$106,408</u>

DISCUSSION

Res. 4418 dated September 4, 2003 in Advice Letter No. 13 authorized CCWC to impose a surcharge payable in three equal payments of \$107.03 each (to be billed 90 days apart) to pay for the costs of drilling Well No. 3. The plant to be paid for by surcharge would be permanently excluded from rate base.

The project was funded with a \$24,000 short-term debt at an interest rate of 1.5% per repayment period. The cost breakdown of the project follows:

Site Preparation	\$ 1,389.90
Drilling	<u>19,075.31</u>
Sub-total	\$20,465.21
Cash on hand	<u>\$ 3,534.79</u>

Total \$24,000.00

Well No. 3 was drilled in June 2004. However, even though water was obtained at 453 feet, significant water was not reached until 889 feet. Well No. 3 was drilled to 925 feet and required 81 feet of 12-3/4" conductor pipe at a cost of \$30 per foot. The well was drilled in granite from 83 feet to 925 feet. According to air lift testing, Well No. 3 should be able to produce 45 gpm. In order to place Well No. 3 into service, CCWC now requires a 5-hp pump that will deliver the required water at the rate of 15 to 26 gpm from the well to the storage tank.

The estimated costs associated with the installation of a pump and connecting the well to the water system are as follows:

Pump	\$ 8,944.01
Water line and Electrical lines	2,837.80
Trenching	450.00
Pump house	1,000.00
Meter	300.00
Testing and Contingency	<u>2,000.00</u>
Sub-total	\$15,531.81
Balance from \$24,000 debt	<u>(3,534.79)</u>
Net Requirements	<u>\$11,997.02</u>

CCWC proposes to secure a \$12,000 short-term loan from the stockholders to be repaid by the customers in two equal surcharges of \$78.65 per connection. The repayment periods would be 90 days apart and the payments include principal and interest (1.5% per repayment period). CCWC states that the first payment would be billed 90 days after the Commission approves a resolution authorizing the loan and the surcharge.

As in Res. W-4118, the consent of the Commission for the \$12,000 loan is not necessary because it involves a debt payable for a period of not more than 12 months (see Public Utilities (Pub. Util.) Code § 823(b)). However,

the request for a surcharge represents a rate increase to customers, and therefore, Commission approval is required.

PROPOSED SURCHARGE RATE

CCWC's present residential flat rate of \$200 per year for a single-family residential unit, including premises, for a period covering May through October was authorized by Resolution W-3939 effective September 18, 1995.

In addition to their annual bill, customers are responsible for an annual surcharge of \$96.25 to repay a 20-year loan from the State Department of Water Resources established by Decision (D.) 93-09-064 dated September 17, 1993 and D.95-02-007 dated February 8, 1995. The loan was obtained to develop additional wells and to build pipelines and a storage tank.

Res. W-4418 authorized surcharge rates to cover a \$24,000 loan to drill a well. The surcharge rates authorized by Res. W-4418 have been collected and the 3rd payment of \$107.03 was billed in July 2004.

The proposed surcharge of \$78.65 each billing period would increase the annual water bill for one year only from \$296.25 to \$453.55 or 53.1%.

We have reviewed CCWC's request to impose a surcharge to pay for the \$12,000 short-term debt to be used for the completion of Well No. 3 and have determined that it is for proper purposes and is for the public good. As a public utility, CCWC has the responsibility to maintain its quality of service and to provide an adequate supply of safe and potable water.

Pursuant to Commission General Order No. 103, water utilities are required to comply with the laws and regulations of the state or local Department of Health Services. It is our responsibility to provide CCWC the means to complete Well No. 3 in order to comply with the requirements of the Health Department.

CCWC may institute a surcharge with the following conditions:

1. The loan repayment surcharge should be separately identified on customers' bills.

2. The utility plant financed through the surcharge should be permanently excluded from rate base and the depreciation on this plant should not be recorded as an operating expense for ratemaking purposes.
3. The surcharge collected should only be used to pay the loan principal and interest.
4. CCWC should notify the Water Division within 15 days after the completion of Well No. 3.
5. The Water Division will conduct an inspection of CCWC's water system within 60 days of notification of completion.

The rate surcharge for the proposed project should be authorized and made effective upon completion of the project to enable the utility to generate revenues prior to the first loan repayment period. The rate surcharge should be billed 90 days apart.

This is an uncontested matter in which the Resolution pertains solely to a water company. Accordingly, pursuant to Pub. Util. Code § 311(g)(3), the 30-day period for public review and comment under § 311(g)(3) does not apply.

NOTICE AND PROTESTS

CCWC notified its customers on July 12, 2004 regarding the need to borrow an additional \$12,000 to complete and put into operation the new well, and the surcharge to be established to repay the loan. No protests have been received.

FINDINGS

1. The Health Department ordered CCWC to initiate a project to provide an additional source of supply.

2. The proposed completion of Well No. 3 is needed to obtain an additional source of water supply.
3. The proposed surcharge is designed to repay the principal and interest on the \$12,000 short-term loan to be used to complete the project.
4. The proposed rate surcharge will increase the water rates by 53.1% for one year for all of CCWC's customers.
5. The rate surcharge to be established to repay the loan would be payable in two equal payments to be billed 90 days apart. The surcharge would not be commingled with other utility charges.
6. The increase in rates authorized by this Resolution is justified and reasonable.
7. The utility plant financed by surcharge should be permanently excluded from rate base for ratemaking purposes.
8. The surcharge rate should be effective upon completion of the project.

THEREFORE, IT IS ORDERED THAT:

1. Central Camp Water Company, Inc. is authorized to file in accordance with General Order No. 96-A, and make effective on five days' notice, but not earlier than the completion date of the project, an advice letter which implements the rate surcharge attached to this order as Appendix A.
2. The rate surcharge authorized herein shall be payable in two equal payments to be billed 90 days apart.
3. The rate surcharge should be separately identified on customers' bills.
4. As a condition of the rate increase granted herein, Central Camp Water Company, Inc. shall be responsible for refunding or applying on behalf of the customers any surplus accrued in the surcharge account when ordered by the Commission.

5. Central Camp Water Company, Inc. shall file with the Water Division a copy of the promissory note or related documents within 15 days after execution.
6. The plant financed in this Resolution shall be permanently excluded from rate base for ratemaking purposes.
7. Central Camp Water Company, Inc. shall notify the Water Division in writing within 15 days of the project completion.
8. The Water Division shall conduct an inspection of Central Camp Water Company's water system 60 days upon notification of completion.
9. The Advice Letter and tariff sheets shall be marked to show that Resolution W-4490 authorized them.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 19, 2003. The following Commissioners approved it:

STEVE LARSON
Executive Director

APPENDIX A**Schedule No. 2RS****SEASONAL RESIDENTIAL FLAT RATE SERVICE****APPLICABILITY**

Applicable to all residential flat rate water service furnished on a seasonal basis.

TERRITORY

The unincorporated area known as Central Camp, and vicinity, Madera County.

RATES

	Per Service Connection	
	Per Year	
		<u>SDWBA Surcharge</u>
For a single-family residential unit, Including premises for the period May thru October 15	\$200.00	\$96.25

SPECIAL CONDITIONS

1. The seasonal charge is due in advance on or before May 1 of each year.
2. The utility at its option may commence service prior to May 1 and may continue service later than October 15.
3. The Safe Drinking Water Bond Act (SDWBA) surcharge is in addition to the regular water bill. The total surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California SDWBA loan authorized by Decision 93-09-064. (D)
4. As authorized by Resolution W-4490, all seasonal residential flat rate service customers are subject to a total surcharge of \$157.30 payable in two equal payments of \$78.65 to be billed 90 days apart. This surcharge is in connection with the completion of Well No. 3 to make it fully operational. This surcharge is in addition to the water bill and the SDWBA surcharge. (N)
5. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

